

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Consider )  
Revisions to the General Rate Case Plan )  
for Class A Water Companies. )  
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R.06-12-016  
(filed December 14, 2006)

**REPLY COMMENTS OF CALIFORNIA WATER ASSOCIATION  
ON THE PROPOSED DECISION OF COMMISSIONER BOHN**

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April 23, 2007

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Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, California Water Association (“CWA”) submits these reply comments to the opening comments on the Proposed Decision (“PD”) of Commission Bohn in this proceeding, filed April 18, 2007.

CWA has received opening comments on the PD filed by San Gabriel Valley Water Company (“San Gabriel”), Park Water Company (“Park”), and the Division of Ratepayer Advocates (“DRA”). CWA’s reply comments principally address the opening comments of DRA, but first briefly address the opening comments of San Gabriel and Park.

CWA fully supports the opening comments of San Gabriel and, as it did in its own opening comments, strongly recommends that the PD be revised to permit San Gabriel to continue to file separate GRC applications for its two operating divisions. As demonstrated in the opening comments of both CWA and San Gabriel, San Gabriel’s two operating divisions are distinctly different from one another. Processing separate GRCs for the two divisions will be much more efficient for all concerned and likely will produce fairer rates than requiring San Gabriel to file a consolidated GRC on the longer 20-month processing schedule.

Regarding Park’s opening comments, while agreeing with Park that critical details regarding the proposed Cost of Capital proceedings are missing from the PD, CWA believes that the Commission should quickly adopt the new Rate Case Plan, with the revisions recommended by CWA in its opening comments, so that the first GRCs under the new RCP can be filed on July 1 (with Proposed Applications being filed on May 1). For the time being, until the first Cost of

Capital proceedings are initiated, CWA recommends that water utilities utilize the proposed cost of capital figures in their GRC applications to be filed this coming July 1<sup>st</sup> and January 5<sup>th</sup>. This proceeding can be held open to decide details concerning Cost of Capital proceedings after the new Rate Case Plan has been adopted.

CWA replies to various points addressed in DRA's opening comments as follows:

1. GRC Filing Schedule.

In its opening comments, DRA urges the Commission to retain the current RCP filing schedule, which calls for multi-district companies to file separate GRCs at different times during the three-year rate case cycle for different districts. DRA Comments, at 1 and 2. CWA opposes retention of the existing RCP schedule, because it is counter to the central objectives of the proposed RCP in this proceeding and two of the core objectives of the Commission's Water Action Plan – namely, streamlined decision-making and more efficient and cost-effective general rate cases.

The whole purpose of moving forward with consolidated GRCs for the multi-district companies is to avoid the significant inefficiencies of processing multiple GRCs for separate districts, which recent history has amply demonstrated. Consolidated GRCs also will permit updated general office expenses, which often increase substantially and unpredictably from year to year, to be reflected in rates on a company-wide basis as soon as they are determined. From both the customer and utility perspective, this approach will ensure a more accurate accounting of a significant element of the overall costs of providing water utility service, while minimizing the potential volatility of rates due to continual postponement of these cost adjustments.

The Commission should move forward with consolidated GRC filings for the three large multi-district water companies, California Water Service Company, California American Water Company, and Golden State Water Company pursuant to the transition schedule that CWA recommended in its opening comments. The recommended transition schedule not only fulfills the objectives noted above, but also provides much better balance to DRA's workload, which is

DRA's central objection to the PD. As discussed in its opening comments, CWA urges that San Gabriel be permitted to file separate GRCs for its two operating divisions.

DRA also urges that the 20-month processing schedule be reduced slightly in order to utilize DRA personnel and resources more effectively. CWA made a similar proposal in its opening comments on the OIR. However, CWA is willing to move forward with the 20-month processing schedule. While not ideal, CWA believes it is more important for the Commission to quickly adopt a new RCP, so that GRC filings scheduled for July 1<sup>st</sup> and January 5<sup>th</sup> can move forward, than it is for the 20-month schedule to be tinkered with.

2. Interim Rates.

DRA asserts that the PD's proposal to allow utilities to seek interim rates at a rate greater than the rate of inflation during the transition period if the utility does not have a GRC within the three-year cycle "does not ensure that the interim rates will be just and reasonable." DRA Comments, at 3. CWA responds that these transitional interim rates, as well as interim rates that will apply when permanent rates do not become effective on the first day of the first test year, all will be trued-up and subject to refund. Thus, the Commission need not be concerned that interim rates will not be just and reasonable. The true-up process completely addresses any such concerns, ensuring that the rates customers ultimately pay will be just and reasonable.

3. Minimum Data Requirements and Discovery.

DRA raises concerns that the proposed minimum data requirements ("MDRs") will increase discovery in the new RCP and that the Commission has not adequately addressed other issues relating to discovery. DRA Comments, at 6-7, 10-12. With respect to the MDRs, CWA supports the PD's provision that the MDRs will be the standard by which a utility's proposed application is deemed to be complete (or deficient) for purposes of filing its GRC application. However, the MDRs in no way limit the discovery that can occur in a GRC proceeding. DRA and other parties are not constrained from issuing data requests or seeking additional discovery. These

dual benefits of the MDRs – completeness and unconstrained discovery – are exactly why the MDRs, as proposed in the PD, should be adopted in the final decision.

CWA has discussed with DRA the development of a standardized “supplemental data request” (or “SDR”), which includes those items of information that DRA deems necessary to conduct a full and complete review of a company’s GRC application, and that are not included in the MDRs. CWA understands that DRA concurs in the concept of employing an SDR, to be issued early in the GRC process. CWA recommends only that responses to the SDR not be required during the period, if any, when a utility is responding to a DRA deficiency letter so that any such deficiencies can be cured and the GRC application filed on time.

DRA is concerned about the absence of provisions regarding responses to data requests, DRA Comments, at 7. CWA urges the Commission to specify that responses to data requests be due within 10 days of the date of the data request. Past experience has proven that it often is difficult to provide full and complete responses within the seven-day period called for in the existing RCP. To the extent that a utility’s eligibility for interim rates is dependent on it not being responsible for delays in the GRC process, the Commission should allow a realistic period for utilities to respond to data requests.

#### 4. Escalation Factors.

DRA notes that the PD provides no details regarding which escalation factors should be used by utilities for purposes of proposing escalation year increases. DRA Comments, at 7. CWA agrees that such details are not addressed in the PD and that they should be. However, CWA consistently has urged that escalation factors other than CPI-U be used in connection with cost elements such as health, dental and other pension benefits, liability and other types of insurance, and other general offices expenses that historically have increased at rates significantly greater than any general inflation index. CWA again urges that the Commission provide flexibility in the use of appropriate inflation factors and indexes other than CPI-U.

5. Timing of Implementation of General Office Rates.

DRA notes the PD does not address when general office allocations for multi-district companies should be implemented during the transition period. DRA Comments, at 8. As stated in its opening comments, CWA urges the Commission to clarify that during the transition period, the initial GRCs filed by multi-district companies should include a review of general office expenses, with rates related to general office costs to be implemented company-wide immediately. This is especially important during the transition period since some districts of a multi-district company will be delayed in implementing new rates beyond the normal three-year rate cycle. Because general office expenses may increase significantly from year to year, rates reflecting such expenses should be implemented company-wide during the transition period.

6. Conclusion.

CWA urges the Commission to revise the Proposed Decision of Commission Bohn as discussed herein, and in its opening comments, and to adopt the new RCP without delay.

DATED: April 23, 2007

Respectfully submitted,

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## CERTIFICATE OF SERVICE

I, Jeannie Wong, hereby certify that on this date I will serve the foregoing  
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Executed this 23rd day of April, 2007 in San Francisco, California.

/s/ JEANNIE WONG

Jeannie Wong